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IN THE  
**Supreme Court of the United States**  
OCTOBER TERM, 1978

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No. **78-848**

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R. G. BARRY CORPORATION,  
*Petitioner,*

v.

MUSHROOM MAKERS, INC.,  
*Respondent.*

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**PETITION FOR WRIT OF CERTIORARI  
TO THE UNITED STATES COURT OF APPEALS  
FOR THE SECOND CIRCUIT**

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**PETITION FOR WRIT OF CERTIORARI  
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Petitioner, R.G. Barry Corporation, prays that a writ of certiorari issue to review the decision of the United States Court of Appeals for the Second Circuit, in its cause numbered 77-7619, entered on July 11, 1978.

**OPINIONS BELOW**

The decision of the United States Court of Appeals for the Second Circuit in this cause is set forth in the appendix to this petition, commencing at page A.1. The decision is reported officially at 580 F.2d 44.

The opinion of the United States District Court for the Southern District of New York is reproduced in the appendix to this petition, commencing at page B.1. That decision is reported officially at 441 F.Supp. 1220.



## JURISDICTION

The decision of the Court of Appeals for the Second Circuit for which review is sought, is dated July 11, 1978. Timely petitions for rehearing and rehearing in banc were denied on August 25, 1978. Jurisdiction of this Court is invoked under Title 28, United States Code, Section 1254 (1).

## QUESTIONS PRESENTED FOR REVIEW

The questions presented for review are:

1. May a court properly require that a litigant, at great pretrial expense and time prove, reprove and overprove his cause of action to obtain statutory injunctive relief, while concomitantly holding that the litigant has established his cause of action "as a matter of law?"

2. May a court in a trademark action properly deny injunctive relief to a senior user who has proved infringement "as a matter of law," because of goodwill allegedly acquired by a junior user (1) *after* constructive notice of the senior user's federally registered trademark, (2) *after* actual knowledge of the registered trademark, (3) *after* demand by the senior user that it cease and desist, and even (4) *after* initiation of the action for trademark infringement?

3. May a federal court properly overrule an interpretation of a state statute by the highest court of the state on the sole basis that is "dicta?"

It is submitted by petitioner that each of these questions is clearly answered in the negative.

## CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

The Constitutional provision involved is Article 1, Section 8, which reads in pertinent part:

"The Congress shall have Power...;

\*\*\*

"To regulate Commerce with foreign Nations, and among the several States...."

The statutory provisions involved are Title 15, United States Code, Sections 1114(1) and 1116, which state in pertinent part:

§ 1114(1) "Any person who shall, without the consent of the registrant—

"(a) use in commerce any reproduction; counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

\*\*\*

"shall be liable in a civil action by the registrant for the remedies hereinafter provided...."

§1116 "The several courts vested with jurisdiction of civil actions arising under this Act shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark registered in the Patent and Trademark Office...."

## STATEMENT OF THE CASE

### 1. Background of the Petition.

The action at bar was initiated by respondent, Mushroom Makers, Inc., in the United States District Court for the Southern District of New York as a declaratory judgment action under 28 U.S.C. §§2201 and 2202 alleging that a controversy existed between the parties and seeking deter-

mination of its right to use the trademark MUSHROOM for women's casual sportswear. Petitioner, R.G. Barry Corporation, answered and counterclaimed for trademark infringement under 15 U.S.C. §1114, false designation of origin under 15 U.S.C. §1125, and common law unfair competition. Petitioner is the senior user of the trademark MUSHROOMS on women's casual footwear and had registered the trademark on the Principal Register of the United States Patent and Trademark Office. [B.2]

After trial on the merits, the district court held that "likelihood of confusion does exist as a latent and volatile factor," [B.24], but since petitioner-senior user had "failed to offer evidence that a single purchaser was confused, misled or deceived as to the source or origin of the product he or she was buying...[even though petitioner] is a substantial corporation with the means to have undertaken either a survey or an investigation to establish instances of actual consumer confusion," [B.19, B.20] and since the goods "are separate and distinct," [B.12] petitioner-senior user had not proved the existence of the "touchstone" of each of the causes of action, *i.e.*, likelihood of confusion of the public as to the source or origin of the goods. [B.7] Hence, petitioner-senior user's request for an injunction was denied. Instead, respondent-junior user was required only to place a restrictive notice on its hang tags and in its advertisements. [B.27]

Senior user filed a timely appeal to the United States Court of Appeals for the Second Circuit. That court affirmed the result reached by the district court; however, it effectively reversed the critical findings and conclusions reached by the district court. It found that the trademark MUSHROOMS is "strong," [A.6] the goods are "proximate" and "likelihood of confusion was as a matter of law established." [A.5]

The Court of Appeals grounded its affirmance of the lower court's refusal to enjoin further trademark in-

fringement on two areas: (1) "[N]ot a single instance of consumer confusion was actually demonstrated;" [A.6] and (2) junior user's "interest in retaining the goodwill developed through concurrent use of an identical trademark..." [A.8] A petition for rehearing with suggestion for rehearing in banc was denied without comment. [C.1, D.1]

## 2. The Relevant Facts.

There is no real conflict in the facts pertinent here as found by the district court. Petitioner commenced use of the trademark MUSHROOMS in connection with the sale of women's casual footwear in 1974. [B.2] Shortly thereafter, petitioner applied for registration of its MUSHROOMS mark on the Principal Register of the United States Patent and Trademark Office, which registration was issued on February 4, 1975, in International Class 25, [A.2, A.3, B.2] Petitioner's use of MUSHROOMS has been continuous and sales of footwear under the mark have increased steadily each year thereafter. [B.4]

Individuals who later founded respondent-junior user first conceived of the trademark MUSHROOM for a prospective line of women's casual sportswear in June-July 1975. [B.5] In mid-August 1975, a principal of respondent requested and received a trademark search report that disclosed petitioner-senior user's MUSHROOMS trademark registration. [B.17]

The first use by the junior user of the trademark in interstate commerce was in late October 1975. [B.6] Senior user learned of that use and objected to it on February 2, 1976, only three months after junior user's first use. [B.3] Junior user commenced the lower court action on April 6, 1976, five months after its initial use of the trademark for a declaration of its rights at that time. After initiation of the litigation, junior user's sales increased rapidly. [B.6]



## REASONS FOR GRANTING THE WRIT

1. The Decision of the Court of Appeals Dictates that Trademark Proprietors Engage in Extensive and Expensive Pretrial Procedures Far Beyond Those Necessary to Prove the Cause of Action.

In this age of increasing court congestion and litigation expense and complexity, particularly as found in expanding pretrial proceedings, any judicial requirement that demands unnecessary prolongation of those pretrial proceedings can only exacerbate an already irritating situation.<sup>1</sup> Carried to the extreme, such requirements can deprive a litigant of property without due process of law.<sup>2</sup>

More specifically, petitioner was aware of the controlling decision in *Avon Shoe Co., Inc. v. David Crystal, Inc.*, 279 F.2d 607 (2d Cir.), *cert denied*, 364 U.S. 909, 81 S.Ct. 271 (1960), throughout the pretrial discovery period. *Avon*, insofar as the relationship of trademarks and goods are concerned, is on-all-fours with the facts and, on the basis of *Avon*, the Court of Appeals had found that likelihood of confusion was present as a matter of law. Hence, petitioner limited its discovery to that necessary to bring its proofs in-congruence with the reported facts considered in *Avon*.

<sup>1</sup> Mr. Chief Justice Burger has repeatedly spoken out against abuses of pretrial proceedings. E.G., Interview, *U.S. News & World Report*, December 19, 1977, at 24; Address; National Conference on the Causes of Popular Dissatisfaction with the Administration of Justice, House Chamber, State Capitol, St. Paul, Minnesota, April 7, 1976; Annual Report on the State of the Judiciary, Midyear Meeting of American Bar Association, New Orleans, Louisiana, February 12, 1978.

<sup>2</sup> As Mr. Chief Justice Burger has stated "Excessive use of pretrial discovery can be used as a weapon against a financially weak litigant." *U.S. News & World Report*, *supra*.

Senior user did not engage in widespread pretrial discovery to prove instances of actual confusion, either by way of a consumer survey or by seeking out and deposing myriad purchasers who were actually confused or misled by the identical trademarks used on the "proximate" goods. Such a survey or discovery would have been very expensive and would not, according to *Avon*, have aided in establishing likelihood of confusion. Moreover, the materiality of proof of two, five, or even twenty instances of actual confusion would have been certainly open to question. For example, this is a point the Court of Appeals found that more than a dozen billing errors, side-by-side advertising and mis-returned goods were "*de minimis* in light of the sales histories of the parties." [A.7] Similarly, although surveys are often offered and admitted, it is generally found that the trustworthiness of such surveys is inconclusive and, therefore, they are accorded little evidentiary weight. Moreover, the pollster's methods are clearly subject to extensive pretrial discovery. *Grottrian Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons*, 523 F.2d 1331, 1341 (2d Cir. 1975). Yet, because petitioner had not taken that additional, expensive pretrial effort—itsself of questionable probative value—petitioner has been denied meaningful relief.

Petitioner submits that such a judicial demand for excessive pretrial procedures is promotive of serious harm to litigants. Trademark owners of limited financial means can not afford to engage in complex surveys conducted by high-priced polling organizations or to bring to trial or depose fifty or one hundred or more ultimate consumers. Yet, that is exactly what the Court of Appeals has decreed be done for a senior user to obtain an injunction against the junior user, even where trademark infringement (likelihood of confusion) has been proved. The result must be—longer and more complex trials and pretrial discovery.

## 2. The Court of Appeals Improperly Looked to Goodwill Later Acquired by the Junior User.

In holding that "concurrent use" for a period of time less than that sufficient to establish laches or estoppel and with actual and constructive knowledge of the senior user's federal registration is a sufficient basis for issuing less than a full injunction, the Court of Appeals made legal history in the Second Circuit—and elsewhere.

A review of the law shows that courts have granted less than a full injunction in trademark actions only in two types of circumstances, absent a finding of laches or unconscionable delay such as was present in *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492 (2d Cir.), *cert. denied* 368 U.S. 820 (1961) and *Avon Shoe Co. v. David Crystal, Inc.*, 279 F.2d 607 (2d Cir.), *cert. denied* 364 U.S. 909 (1960).<sup>3</sup> Thus, modified or limited injunctions, *e.g.*, those in which a disclaimer has been permitted, have been issued (1) where a trademark of the senior user is the name, usually the surname, of the junior user, or (2) where the trademark is found to be generic, at least to a segment of the public. Illustrative of the former cases are *L.E. Waterman Co. v. Modern Pen Co.*, 235 U.S. 88, 35 S.Ct. 91, 59 L.Ed. 142 (1914), *Taylor Wine*

<sup>3</sup>In *Avon*, 279 F.2d at 610, the Court also spoke of "concurrent use" before commencement of the action; however, in *Avon*, the constructive notice provision of 15 U.S.C. §1072 was not in effect, 279 F.2d at 611, the defendant used the mark in commerce for about seven years without knowledge of the plaintiff's senior trademark use during which time the defendant's use became dominant, 279 F.2d at 613, 614, and another 16 months passed before the plaintiff took any action. 279 F.2d at 614.

*Co., v. Bully Hill Vineyards, Inc.*, 569 F.2d 731 (2d Cir. 1978) and *Scarves by Vera, Inc., v. Todo Imports, Ltd.*, 544 F.2d 1167 (2d Cir. 1976). Moreover, this Court has fully enjoined use of a junior user's surname. *Thaddeus Davids Co. v. Davids*, 233 U.S. 461, 34 S.Ct. 648, 58 L.Ed. 1046 (1914). Cases in the second category are much less frequent, perhaps being best illustrated by *King-Seeley Thermos Co. v. Aladdin Industries, Inc.*, 321 F.2d 577 (2d Cir. 1963).<sup>4</sup>

Petitioner respectfully submits that to permit reliance on a junior user's deliberate and willful infringing acts as a basis for denial of a full injunction to the senior user, is a revocation of the intent of the Lanham Act, see 15 U.S.C. §1127. At least, for any such acts to be used in mitigation of a full injunction they must be innocent, *i.e.*, made without knowledge of the senior user's superior rights. *Avon Shoe Co., supra*. By promulgating the excuse of willful concurrent use, the Second Circuit opened a Pandora's box of mischief whereby a latecomer will use the mark of another with assurance that at worst he will have to apply an explanatory statement but that his infringing acts, made with scienter, will constitute a bootstrap for his continued infringement.

## 3. A Federal Court Must Follow State Courts In Interpreting State Statutes

The Court of Appeals refused to follow the recent holding of the New York Court of Appeals interpreting New York State's antidilution statute, General Business Law 368-d,

<sup>4</sup>To be complete, the Sixth Circuit in *Burger Brewing Co. v. Maloney-Davidson, Co.*, 86 F.2d 815 (6th Cir. 1936) allowed a disclaimer where a mark was primarily geographically descriptive.

saying "that this statement [on the scope of the statute] was uttered in *dictum* and hence cannot be said to have changed the decisional law of New York State..." [A.9]. The Second Circuit preferred to rely on prior U.S. district court decisions and, in effect, told the highest court of the State of New York that it had no business interpreting the statute in a manner contrary to that in which prior federal court decisions had interpreted it.

The usurpation by the Second Circuit of the power of the New York State Court of Appeals as a final state court arbitrator of the scope of a state statute is obvious, as is its violation of *Erie R.R. v. Tompkins*, 304 U.S. 64, 58 S.Ct. 817, 82 L.Ed. 1188, 114 A.L.R. 1487 (1938) and its progeny, which hold that when federal courts exercise jurisdiction over a purely state cause of action, "the outcome of the litigation in the federal court should be substantially the same, so far as legal rules determine the outcome of a litigation, as it would if tried in a State court." *Guaranty Trust Co. v. York*, 326 U.S. 99, 109, 65 S.Ct. 1464, 89 L.Ed. 2079, 160 A.L.R. 1231 (1945).

## CONCLUSION

Primarily because the decision below opens a new era of encouraging unlimited pretrial discovery thereby greatly enlarging the burden of litigation on both courts and litigants, certiorari should be granted to examine the rationale behind the decision, and to render an opportunity for this Court to arrest this trend at its inception.

Respectfully submitted,

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**APPENDIX A**

**MUSHROOM MAKERS,  
INCORPORATED,  
Plaintiff-Appellee,**

**v.**

**R. G. BARRY CORPORATION,  
Defendant-Appellant  
No 917, Docket 77-7619.**

United States Court of Appeals,  
Second Circuit.

Argued June 8, 1978.

Decided July 11, 1978.

Walter D. Ames, Washington, D.C. (Watson, Cole, Grindle & Watson, Washington, D.C., Henry B. Roth and Herzfeld & Rubin, New York City, of counsel), for defendant-appellant.

Leslie D. Taggart, New York City (Frank J. Colucci, Howard B. Barnaby, Jr., and Watson, Leavenworth, Kelton & Taggart, New York City, and Sumner Silver, David A. Talman and Talamo, Phillips, Silver & Talman, Inc. Worcester, Mass., of counsel), for plaintiff-appellee.

Before KAUFMAN, Chief Judge, FEINBERG, Circuit Judge, and WERKER, District Judge.\*

**PER CURIAM:**

In this appeal from a judgment and order of the United States District Court for the Southern District of New York, Edward Weinfeld, *Judge*, defendant-appellant R. G. Barry

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\*Honorable Henry F. Werker, District Judge of the Southern District of New York, sitting by designation.



## A.2

Corporation ("Barry") contends that it was error to dismiss its counterclaims for trademark infringement, unfair competition and false designation of origin and deny a motion for leave to file an additional counterclaim under the New York anti-dilution statute.<sup>1</sup> Plaintiff-appellee Mushroom Makers, Inc. ("Mushroom Makers"), which instituted this action for a declaration and judgment that its use of the trademark MUSHROOM and tradename MUSHROOM MAKERS in connection with the promotion and sale of women's jeans, jackets, skirts and overalls did not constitute infringement of or unfair competition with Barry's registered MUSHROOMS trademark used to identify Barry's line of casual shoes, sandals and slippers for women, has not appealed from that portion of the district court's decision which requires it to place on all hang tags and in all advertisements for its MUSHROOM sportswear a statement disclaiming any connection with Barry or Barry's MUSHROOMS footwear.<sup>2</sup>

### I

Judge Weinfeld carefully detailed the facts in an opinion reported at 441 F. Supp 1222 and no purpose would be served by repeating them here as exhaustively. A brief summary is, however, in order at the outset.

Barry began to market MUSHROOMS footwear in 1974. On February 4, 1975 and again on January 13, 1976, the MUSHROOMS trademark was registered in the United States Patent and Trademark Office under International

<sup>1</sup>N.Y. Gen. B. Law § 368-d (McKinney 1968).

<sup>2</sup>The statement required by the judgment is that:

Mushroom Makers, Inc. Does Not Manufacture, Sell Or Distribute, Shoes, Slippers Or Sandals Under the Name Of Mushroom Or Mushrooms Nor Has It Any Connection With Any Firm Selling Shoes, Slippers Or Sandals Under The Name Of Mushroom Or Mushrooms.

(App. at 781a, 783a).

## A.3

Class 25 for use on Barry's slippers, shoes and sandals. Barry's sales of MUSHROOMS footwear from the time it commenced production through the first half of 1977 aggregated almost six million dollars; its advertising costs for the same period totalled more than one million dollars, and much of that amount was spent for advertising purchased in cooperation with its retail outlets, of which there were more than 2500.

Mushroom Makers first contemplated marketing "misses" sportswear under the MUSHROOM trademark and trade name in June or July of 1975. One Earle Sheldon, who was participating in the development of the product line, suggested that it be marketed under the MUSHROOM label because an aunt who had cared for him during childhood was fascinated by that particular fungus. At the time that he recommended this, Sheldon was unaware that Barry was already marketing MUSHROOMS products.

Interstate shipments of MUSHROOM sportswear to retail outlets began in October of 1975 and have risen meteorically since then: in November of 1975, MUSHROOM sales totalled \$16,200; at the time of trial, sales for 1977 were projected to reach the twenty million dollar level. In contrast to Barry's sales experience, this dramatic rate of growth was achieved with a total expenditure of less than \$200,000 for advertising.

At trial, Mushroom Makers conceded that its mark was identical to the one used by Barry.

### II

[1] It is well settled that the crucial issue in an action for trademark infringement or unfair competition is whether there is any likelihood that an appreciable number of ordinarily prudent purchasers are likely to be misled, or indeed simply confused, as to the source of the goods in

#### A.4

question. *Maternally Yours, Inc. v. Your Maternity Shop, Inc.* 234 F.2d 538, 542 (2d Cir. 1956). The court, in making this determination and fashioning suitable relief, must look not merely to the age of the competing trademarks, but to a host of other factors. As we noted in *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492, 495 (2d Cir), *cert. denied*, 368 U.S. 820 82 S.Ct. 36, 7 L.Ed.2d 25 (1961):

Where the products are different, the prior owner's chance of success is a function of many variables: the strength of his mark, the degree of similarity between the two marks, the proximity of the products, the likelihood that the prior owner will bridge the gap, actual confusion, and the reciprocal of defendant's good faith in adopting its own mark, the quality of defendant's product, and the sophistication of the buyers. Even this extensive catalogue does not exhaust the possibilities — the court may have to take still other variables into account. American Law Institute, *Restatement of Torts*, §§ 729, 730, 731.

*Accord. Scarves By Vera, Inc. v. Todo Imports, Ltd.*, 544 F.2d. 1167, 1173 (2d Cir. 1976).

The district court recognized that these were the appropriate factors to be considered and reviewed them carefully before concluding that there was (1) no infringement by Mushroom Makers as the junior user, (2) no likelihood of confusion, (3) no bad faith in Mushroom makers' use of the MUSHROOM mark, (4) no proximity between the products manufactured by the parties, (5) no prospect that future additions to their respective lines would "bridge the gap" between them, and finally (6) no likelihood that Mushroom Makers' products would subsequently decline in quality and thereby tarnish Barry's reputation. Nevertheless, despite his conclusion that "the scales tip in favor of [Mushroom Makers]," the district judge directed that the cautionary statement noted earlier

#### A.5

be adopted in an effort to avoid any further litigation between the parties.

On appeal, Barry argues that the district court erred in holding that there was no trademark infringement, false designation of origin or unfair competition, in finding that Mushroom Makers acted in good faith and consequently in failing to grant an injunction. It is also claimed that the district court abused its discretion by refusing to permit a post-trial amendment of the answer to assert an additional counterclaim. While we agree with certain of Barry's contentions, after careful examination of the record, we hold that they do not shift the balance of interests and therefore affirm the district court's decision.

[2] In considering the proximity of the products, the district court impliedly rejected our decision in *Avon Shoe Co. v. David Crystal, Inc.* 279 F.2d. 607, 612 (2d Cir.), *cert. denied*, 364 U.S. 909, 81 S.Ct. 271, 5 L.Ed.2d 224 (1960), in which we indicated that there was no basis for finding that the goods were "so unrelated as to attract different segments of the feminine purchasing public" where the defendant sold sportswear for women under the "Haymaker" trademark to retail outlets which also carried plaintiff's shoes marketed under the "Haymakers" trademark. However, we see no reason to depart from our *Avon Shoe* holding in the case presently before us. Indeed, since both cases involve trademarks which are merely the singular and plural forms of the same word and substantially identical goods directed at the same market and sold through the same outlets, it is difficult to conceive of any reason to distinguish them. Accordingly, as in *Avon Shoe* we find not only that the products are proximate, but that likelihood of confusion was as a matter of law established. *Id. See also Carlisle Shoe Co. v. Societe Anonyme: Roger Fare & Cie.* 278 F.2d 519, 47 CCPA 966 (1960) (women's gloves and shoes); *General Shoe Corp. v. Hollywood-Maxwell Co.*, 277 F.2d 169, 47 CCPA 933 (1960) (brassieres and women's



## A.6

shoes); *General Shoe Corp. v. Lerner Brothers Manufacturing Co.*, 254 F.2d 154, 45 CCPA 872 (1954) (men's footwear and sports shirts); *Villager, Inc. v. Dial Shoe Co.*, 256 F. Supp. 694, 701-02 (E.D. Pa. 1966) (women's apparel and shoes).

[3] After recognizing that Barry's MUSHROOMS mark was "arbitrary and fanciful," and therefore conceptually strong when applied to footwear, the district court proceeded to consider "its true strength" in the market place, finding that it had not "caught on" in a commercial sense. However, having established that its mark was conceptually strong, Barry met its burden with regard to the first *Polaroid* variable *See Kiki Undies Corp. v. Promenade Hosiery Mills, Inc.* 411 F.2d 1097, 1100 (2d Cir. 1969), *cert. dismissed*, 396 U.S. 1054, 90 S.Ct. 707, 24 L.Ed.2d 698 (1970). *See also Abercrombie & Fitch Co. v. Hunting World, Inc.* 537 F.2d 4, 9 (2d Cir. 1976); 3 R. Callmann, *The Law of Unfair Competition, Trademarks and Monopolies* § 77.1, at 336-37 (3d ed. 1969). Consequently, Barry's relative success in the marketplace, although certainly a factor to be considered in balancing the "conflicting interests" of the parties, *Avon Shoe Co. v. David Crystal, Inc.* 279 F.2d at 613, should not have been relied upon to belie the strength of Barry's MUSHROOMS mark.

[4-7] Barry's remaining assertions of error with regard to the trial court's *Polaroid* findings lack merit. Although it is true that we have commented upon the difficulty of establishing actual confusion on the part of retail customers, see *W.E. Bassett Co. v. Revlon, Inc.* 435 F.2d 656, 662 (2d Cir. 1970); *Miles Shoes, Inc. v. R.H. Macy Co.*, 199 F.2d 602, 603 (2d Cir. 1952), *cert. denied*, 345 U.S. 909, 73 S. Ct. 650, 97 L.Ed. 1345 (1953), the district court quite properly noted that not a single instance of consumer confusion was actually demonstrated in the trial record. There was some evidence of clerical errors and joint advertising involving the two companies' products, but in the absence

## A.7

of any testimony to explain these events, the court was clearly entitled to find that they did not demonstrate actual confusion among retail customers. In any event, the instances cited by Barry are clearly *de minimus* in light of the sales histories of the parties. There is, in addition, no reason to quarrel with the district court judge's conclusion that Mushroom Makers adopted its MUSHROOM mark in good faith, notwithstanding the fact that it had both actual and constructive notice of Barry's registered MUSHROOMS trademark. To the contrary, as Judge Learned Hand observed in a decision aptly quoted in the opinion below, prior use of a trademark does not automatically entitle the first user to bar its use by others. *Federal Telephone & Radio Corp. v. Federal Television Corp.*, 180 F.2d 250, 251-52 (2d Cir. 1950). Indeed, even if a mark is registered, the presumption of an exclusive right to use it extends only so far as the goods or services noted in the registration certificate—here shoes, slippers and sandals. *Avon Shoe Co. v. David Crystal, Inc.*, 279 F.2d at 613 n.7. The district court was therefore entitled to rely as upon the testimony of Mushroom Makers' treasurer, Howard Feinberg, who stated that he was not aware of any use of the MUSHROOMS mark by Barry and furthermore considered his firm's product to be unrelated.

[8] The district court characterized this case as "close" and "vexing" and our inability to agree with its conclusions regarding strength of the senior mark, proximity of the products and likelihood of confusion unfortunately does nothing to simplify the ultimate issue: whether Barry is entitled to injunctive relief against Mushroom Makers. As has been noted, however, merely winning the race to the trademark office doorstep does not entitle a senior user to relief in equity. Rather,

a senior user possesses but two legitimate interests which may properly call for injunctive relief against a use by a junior user on related goods, namely, that he

may at some future date desire to expand his business into the related field in which the junior user is operating and that he, in any event, should be able to develop his present business free from the stain and tarnishment which may result from improper trade practices of the junior user.

*Avon Shoe Co. v. David Crystal, Inc.*, 279 F.2d at 613.

[9] Here, the parties both agreed that there was no likelihood of bridging the gap between their products. Barry indicated that it might in the future open "Mushroom Shoppes" in department stores, where women's accessories such as belts and handbags, in addition to footwear, would be sold. However, Barry made no suggestion that it would begin to market women's sportswear or that Mushroom Makers would develop a line of shoes. There was also no evidence that the quality of Mushroom Makers' sportswear was likely to deteriorate or that in trade practices which would work to Barry's detriment. If anything, it could be argued that Mushroom Makers' activities inure to Barry's benefit.

We therefore find, based upon the trial court record, that Mushroom Makers' interest in retaining the goodwill developed through concurrent use of an identical trademark far outweighs any conceivable injury to Barry; consequently we hold that the district court acted properly in denying the requested injunction.<sup>3</sup>

<sup>3</sup>Barry argues further that the disclaimer required by the district court is meaningless because neither Mushroom Makers' hang tags nor any of its advertisements identify Mushroom Makers as the source of MUSHROOM sportswear. It also suggests that the disclaimer requirement is untenable because no procedures have been established for policing advertising placed by customers of Mushroom Makers. We express no opinion as to the merits of these contentions and suggest that they be placed before Judge Weinfeld through a motion under Fed. R. Civ. P. 60(b).

## III

[10] The motion to amend the answer in this case, pursuant to Rule 15(a), Fed. R. Civ.P., to assert an additional counterclaim under the New York anti-dilution statute was filed more than three months after trial had concluded and some five days after the district court had "finalized," though not filed, its opinion. In an accompanying memorandum of law, Barry argued that leave to amend should have been freely granted because the New York Court of Appeals had recently decided a case which stated that, contrary to the weight of state and federal authority, it was not necessary to demonstrate confusion between marks in order to prevail on a claim under the state anti-dilution statute. *Allied Maintenance Corp v. Allied Mechanical Trades, Inc.*, 42 N.Y. 2d 538, 544-45, 399 N.Y.S.2d 628, 632, 369 N.E.2d 1162, 1165—66 (1977). Barry neglected to note, however, that this statement was uttered in *dictum* and hence cannot be said to have changed the decisional law of New York State after the filing of the answer. Moreover, although it is true that the New York Court of Appeals had not previously defined the elements of a claim under the anti-dilution statute, other courts—both state and federal—had acknowledged that injury to a recognized trade name, rather than damage arising from confusion among consumers, lies at the heart of the wrong. *Exquisite Form Industries, Inc. v. Exquisite Fabrics of London*, 378 F.Supp 403, 414-415 (S.D.N.Y. 1974); *Mortellito v. Nina of California, Inc.* 335 F.Supp. 1288, 1295-96 (S.D.N.Y. 1972) (Gurfein, J.); *Renofab Process Corp. v. Renotex Corp.*, 158 N.Y.S.2d 70, 77 (Sup.Ct. N.Y. County 1956). See generally 3 R. Callmann, *supra*, § 84.2 Denial of leave to amend the answer to the complaint was therefore entirely proper.

Affirmed.

**APPENDIX B**  
**MUSHROOM MAKERS, INC., Plaintiff,**

**v.**

**R. G. BARRY CORPORATION**  
**Defendant.**

**No. 76 Civil 1589**

United States District Court,  
S. D. New York.

Nov. 22, 1977.

Watson, Leavenworth, Kelton & Taggart, New York City, for plaintiff; Leslie D. Taggart, Frank J. Colucci, Howard B. Barnaby, Jr., New York City, David A. Talman, Talamo, Phillips, Silver & Talman, Inc. Worcester, Mass., of counsel.

Watson, Cole, Grindle & Watson, Washington, D.C., Henry B. Roth, Herzfeld & Rubin, P.C., New York City, for defendant; Walter D. Ames, F.M. deRosa, Bernard L. Sweeney, Washington, D.C., of counsel.

**OPINION, FINDINGS OF FACT AND  
CONCLUSIONS OF LAW**

**EDWARD WEINFELD, District Judge.**

The defendant, R.G. Barry Corporation ("Barry"), is the owner of the registered trademark MUSHROOMS, which it applies to women's shoes, sandals and slippers. The plaintiff, Mushroom Makers, Inc. ("Mushroom Makers"), commenced this action for a declaratory judgment that its use of the trademark MUSHROOM and the trade name Mushroom Makers in the promotion and sale of women's jeans, jackets, skirts and overalls, does not infringe Barry's registered trademark. Barry counterclaimed, charging plaintiff with trademark infringement, unfair competition



## B.2

and false designation of the origin of the plaintiff's goods.<sup>1</sup> At trial, Barry was deemed the lead-off litigant and presented its case first.

The respective products of the parties sold under the trademarks MUSHROOMS and MUSHROOM,<sup>2</sup> are separate and distinct. Plaintiff sells women's sportswear. It is not engaged in any business other than the sale of women's apparel. Defendant sells women's casual footwear. It is not engaged in any other business than the manufacture and sale of footwear.

The use of the trademarks with respect to the products sold by each is of rather recent origin. Defendant's use preceded that of plaintiff by a little more than one year. Defendant's initial shipments in interstate commerce occurred sometime in 1974.<sup>3</sup> The defendant's trademark MUSHROOMS was registered in the United States Patent and Trademark Office on February 4, 1975 and again on January 13, 1976. The registrations covered shoes, sandals and slippers.

<sup>1</sup>Jurisdiction is grounded on the Trademark Laws of the United States, 15 U.S.C. § 1051, et seq., and the Judicial Code, 28 U.S.C. § 1338.

<sup>2</sup>Plaintiff, in addition to the trademark MUSHROOM, uses the trade names Mushroom, Inc. and its corporate title Mushroom Makers. The parties agree that for the purposes of this action they may be treated as one. Plaintiff concedes that for all practical purposes its mark and defendant's may be deemed identical. (T.R. 373.)

<sup>3</sup>The evidence as to the date of the first use of the mark in interstate commerce is somewhat unclear. A former Barry employee testified that he transported a sample of MUSHROOMS shoes across state lines in late 1973 or early 1974, following which an order was received. Barry's application for registration of its mark stated that it was first used in interstate commerce on February 26, 1974; however, Barry submitted no evidence supporting that specific date. Other Barry evidence indicated that initial shipments, totalling \$16,600, were made in June 1974 and no further shipments were made until December 1974.

## B.3

The plaintiff first applied MUSHROOM on its women's sportswear in manufacturing samples in July 1975, and first used the trademark in interstate commerce in late October 1975. Mushroom Makers twice applied to the United States Patent and Trademark Office for registration of MUSHROOM, and each time was refused on the ground that the MUSHROOM mark was likely to cause confusion with Barry's mark.<sup>4</sup>

The defendant objected to the plaintiff's application for registration of the MUSHROOM mark on February 2, 1976. Plaintiff then commenced this action for a declaratory judgment that the products sold by it under the name MUSHROOM are entirely different from defendant's goods sold under the name MUSHROOMS and that no likelihood of confusion exists.

### DEFENDANT'S USE OF MUSHROOMS

R.G. Barry has been in business since about 1945 and has engaged in the manufacture of various products,<sup>5</sup> including a range of footwear. At present it manufactures and merchandises only footwear. In 1971, Barry began development of a line of casual footwear distinguished by a new foam rubber "Molecular" sole. The fruits of this project were various styles of casual shoes, slippers, and sandals using the new sole design, which are sold under the trademark MUSHROOMS.<sup>6</sup> The mark, as already noted,

<sup>4</sup>The first application for MUSHROOM was filed on August 22, 1975. It was refused on March 29, 1976 by the Patent Office and subsequently abandoned. The second application was filed on May 26, 1976 and was refused five months later. This application was suspended pending the resolution of this action.

<sup>5</sup>Barry began operations as a manufacturer of shoulder pads. In the past it also sold pillows, robes for men and women, seat covers, handbags and belts.

<sup>6</sup>Barry attempted to start a men's footwear line based upon the same sole design, but apparently has abandoned the project.



#### B.4

is registered in the Patent Office in International Class 25, and applies to slippers, sandals and shoes.

In 1974, its first year of sale, Barry's Mushrooms Division sold 11, 628 pairs of footwear at a total value of \$75,400. Shipments increased considerably in 1975, topping one million dollars. They have reached almost two and a half million dollars for the first half of 1977. Net shipments of MUSHROOMS footwear since the inception of the product line total almost six million dollars.

To promote the sale of the casual footwear, Barry has spent over one million dollars in advertising.<sup>7</sup> Much of its advertising has been "cooperative," where Barry has shared the cost of promotion with the retail store in various locations throughout the country.<sup>8</sup> MUSHROOMS footwear is sold at over 2500 retail outlets, sixty per cent of which have participated in cooperative advertising. These advertisements have appeared in major newspapers. Barry has also undertaken \$96,000 worth of television advertising of a local nature.<sup>9</sup> Barry has also sought to make its product known by including, with each pair of shoes sold to the retailers, a brochure containing information about MUSHROOMS' design and sole. It has further used "point-of-purchase" aids and "statement stuffers," which are provided to department stores and mailed out with the monthly bills.

<sup>7</sup>The annual figures are as follows: 1974 — \$22,600; 1975 — \$326,900; 1976 — \$494,200; 1977 to date — \$296,700.

<sup>8</sup>Barry's share reaches 3% of the retailer's net purchases from Barry.

<sup>9</sup>These advertisements were evidently placed after Barry had learned of plaintiff's use of MUSHROOM in connection with the sale of women's sportswear and after this action had been instituted.

#### B.5

Barry has been an active defender of its mark. It brought suit against a company selling "Mushsoles" shoes, which culminated in a consent decree wherein the defendant admitted infringement. When instances of alleged infringement of its mark have come to Barry's notice, it has asserted its right to priority. On July 14, 1975, Barry advertised in Women's Wear Daily and Footwear News (the major trade journal) that "Only R.G. Barry and Mother Nature can make MUSHROOMS."

#### PLAINTIFF'S USE OF MUSHROOM

Plaintiff Mushroom Makers is one of a number of companies forming part of a clothing operation conducted by Stevens Sportswear, Inc. ("Stevens") of Worcester, Massachusetts.<sup>10</sup> Stevens had excess plant capacity at its manufacturing facility in Taylorsville, Mississippi, which it decided to devote to production of a misses sportswear line.<sup>11</sup> In June 1975 it enlisted the services of one Earle Sheldon to develop, style and sell the line. When preliminary tests proved production was feasible and samples of various items of the new line were prepared, Sheldon, in June or early July 1975, suggested to Stevens officials that MUSHROOM be used as the line's trade name and trademark. The origin of Sheldon's suggestion is discussed hereafter. Plaintiff first applied MUSHROOM, as already noted, on samples in July 1975, following which

<sup>10</sup>Stevens officials sought to incorporate a company under the name of Mushroom, Inc. in the State of Mississippi, but that name was unavailable; they subsequently caused the incorporation of Mushroom Makers, Inc. with its principal place of business in Taylorsville, Mississippi.

<sup>11</sup>"Misses" sportswear refers to women's apparel directed at purchasers twenty years old and up. One of plaintiff's executives described the Mushroom Makers line as an "update misses line" in a "moderate to better" price range.

## B.6

arrangements were made in August 1975 to offer a MUSHROOM line of women's sportswear to the trade. In September 1975, a showroom was opened in New York City and orders for MUSHROOM sportswear were taken. The first interstate shipments were made in October 1975.

Mushroom Makers' rapid growth and the commercial success of its MUSHROOM products are phenomenal. Sales of MUSHROOM apparel in its first full month of operation, November 1975, totalled \$16,200. In 1976, monthly net sales ran from \$224,000 to \$1 million; net sales for the entire year equalled \$6 million. For the first six months of 1977, Mushroom Makers has had net sales of \$8.4 million. It is anticipated that sales will reach \$20 million for all of 1977. This meteoric rise was accompanied by relatively small advertising expenditures. From the company's inception, it has spent only \$174,000 on promotion. Much of plaintiff's success apparently has been the result of personal salesmanship and plaintiff's standing in the women's wear industry. In sharp contrast to Barry, Mushroom Makers has expended small sums for cooperative advertising. While it has placed advertisements in *Cosmopolitan*, the *New York Times* and *Women's Wear Daily*, many advertisements which refer to MUSHROOM apparel have been purchased by department stores such as Gimbels, May Cohen's, Winkelman's, Jordan Marsh and Marshall Field & Company.

## BARRY'S COUNTERCLAIMS

The basic issue in this case, however phrased, is whether Barry, the senior user whose trademark MUSHROOMS is applied to casual slippers, sandals and shoes, is entitled to protection against plaintiff, the junior user, whose trademark MUSHROOM is applied to women's sportswear, such as slacks, overalls, shirts, skirts and jackets made of denim, corduroy and other materials.

## B.7

[1, 2] The touchstone of trademark infringement under the Lanham Act<sup>12</sup> upon which Barry seeks relief is "likelihood of confusion": whether a substantial number of ordinarily prudent purchasers are likely to be misled or confused as to the source of the different products.<sup>13</sup> As has often been observed, the law of trademark infringement is but part of the law of unfair competition<sup>14</sup> and the same test is applied with respect to each claim.

[3, 4] That the products are not identical does not foreclose relief to the senior owner if they are sufficiently related to make confusion likely.<sup>15</sup> On the other hand, the fact of seniority does not by itself entitle the first user to relief — the determination is to be made on the basis of "the equities involved," which requires an evaluation of the

<sup>12</sup> 15 U.S.C. § 1114.

<sup>13</sup> *Maternally Yours, Inc. v. Your Maternity Shop, Inc.*, 234 F.2d 538, 542 (2d Cir. 1956).

<sup>14</sup> *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 413, 36 S.Ct. 357, 60 L.Ed. 713 (1916).

<sup>15</sup> *Scarves by Vera, Inc. v. Todo Imports Ltd. (Inc.)*, 544 F.2d 1167 (2d Cir. 1976) (women's scarves and apparel v. cosmetics and fragrances); *Communications Satellite Corp. v. Comcat, Inc.*, 429 F.2d 1245 (4th Cir.), cert. denied, 400 U.S. 942, 91 S.Ct. 240, 27 L.Ed.2d 245 (1970) (communications services v. computers); *Safeway Stores, Inc. v. Safeway Properties, Inc.*, 307 F.2d 495 (2d Cir. 1962) (groceries v. real estate); *Purefoods, Inc. v. Minute Maid Corp.*, 214 F.2d 792 (5th Cir.), cert. denied, 348 U.S. 888, 75 S.Ct. 208, 99 L.Ed. 697 (1954) (juices v. meats); *Admiral Corp. v. Penco, Inc.*, 203 F.2d 517 (2d Cir. 1953) (televisions, radios, electric ranges and refrigerators v. sewing machines and vacuum cleaners); *Triangle Publications, Inc. v. Rohrlach*, 167 F.2d 969 (2d Cir. 1948) (magazines v. girdles); *S. C. Johnson & Son, Inc. v. Johnson*, 116 F.2d 427 (2d Cir. 1940) (waxes and floor cleaners v. fabric cleaners); *L.E. Waterman Co. v. Gordon*, 72 F.2d 272 (2d Cir. 1934) (fountain pens v. razor blades); *Yale Elec. Corp. v. Robertson*, 26 F.2d 972 (2d Cir. 1928) (flashlights v. locks); *Alfred Dunhill of London, Inc. v. Kasser Distillers Prods. Corp.*, 350 F.Supp. 1341 (E.D.Pa. 1972), aff'd without opinion, 480 F.2d 917 (3d Cir. 1973) (pipes and tobacco v. scotch whiskey).



## B.8

legitimate interests of the senior user, the junior user and the public consumer.<sup>16</sup> As most recently stated by the Second Circuit:

The trademark laws protect three interests . . . : first, the senior user's interest in being able to enter a related field at some future time; second, his interest in protecting the good reputation associated with his mark from the possibility of being tarnished by inferior merchandise of the junior user; and third, the public's interest in not being misled by confusingly similar marks . . . .<sup>17</sup>

The senior user has the additional interest of preventing others from getting a free ride on the reputation and good will he has established<sup>18</sup> — from reaping a "harvest which others have sown."<sup>19</sup>

[5] While earlier cases may have limited the circumstances under which a trademark owner was entitled to relief against a junior user of the mark on noncompetitive items,<sup>20</sup> more recent cases in this Circuit have expanded the factors which are to be evaluated in deciding whether the senior user is entitled to such protection. These include, but are not limited to:

<sup>16</sup>See *Chandon Champagne Corp. v. San Marino Wine Corp.*, 335 F.2d 531, 534 (2d Cir. 1964); 3 Callmann, *The Law of Unfair Competition, Trade Marks and Monopolies*, §76.3(a), at 302 (3d ed. 1969).

<sup>17</sup>*Scarves by Vera, Inc. v. Todo Imports Ltd. (Inc.)*, 544 F.2d 1167, 1172 (2d Cir. 1976).

<sup>18</sup>*Yale Elec. Corp. v. Robertson*, 26 F.2d 972, 974 (2d Cir. 1928).

<sup>19</sup>*Dwinnell-Wright Co. v. White House Milk Co.*, 132 F.2d 822, 825 (2d Cir. 1943).

<sup>20</sup>See, e.g., *S. C. Johnson & Son, Inc. v. Johnson*, 175 F.2d 176, 179-80 (2d Cir.), cert. denied, 338 U.S. 860, 70 S. Ct. 103, 94 L.Ed. 527 (1949). See generally *Triumph Hosiery Mills, Inc. v. Triumph Int'l Corp.*, 308 F.2d 196, 198-99 (2d Cir. 1962).

## B.9

the strength of his mark, the degree of similarity between the two marks, the proximity of the products, the likelihood that the prior owner will bridge the gap, actual confusion, and the reciprocal of defendant's good faith in adopting its own mark, the quality of defendant's product, and the sophistication of the buyers. Even this extensive catalogue does not exhaust the possibilities—the court may have to take still other variables into account.<sup>21</sup>

It has been emphasized that these factors are "variable and relative" and that no single one is determinative, but that all the pertinent factors must be considered, and upon a balancing of the conclusions reached on the pertinent factors, the determination is made as to whether relief is warranted.<sup>22</sup>

[6] Against this background of the applicable law we consider the facts in appraising the equities urged by the parties in support of their respective positions. It may readily be acknowledged that the case is close. Indeed, the question of what protection a trademark owner is entitled to with respect to noncompetitive goods has been aptly described as "vexing" and one that "does not become easier of solution with the years."<sup>23</sup> However, after a thorough and word-by-word study of the trial record, examination of the exhibits, reference to my trial notes, an appraisal of the demeanor of the witnesses, an evaluation of the pertinent factors, and upon the totality of the evidence, I find that upon the present state of the record Barry has failed to

<sup>21</sup>*Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492, 495 (2d Cir.), cert. denied, 368 U.S. 820, 82 S.Ct. 36, 7 L.Ed.2d 25 (1961).

<sup>22</sup>*Kiki Undies Corp. v. Promenade Hosiery Mills, Inc.*, 411 F.2d 1097, 1099 (2d Cir. 1969), cert. denied, 396 U.S. 1054, 90 S.Ct. 707, 24 L.Ed.2d 698 (1970); see *Triumph Hosiery Mills, Inc. v. Triumph Int'l Corp.*, 308 F.2d 196, 198 (2d Cir. 1962).

<sup>23</sup>*Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492, 495 (2d Cir.), cert. denied, 368 U.S. 820, 82 S.Ct. 36, 7 L.Ed.2d 25 (1961).

sustain its burden of proof to warrant the equitable and other relief it seeks on its claim of trademark infringement, unfair competition or false designation of origin of goods.

At the outset it should be emphasized that this is not a case where plaintiff, the junior user, in incorporating under the name Mushroom Makers, Inc. and adopting MUSHROOM for its mark on its new line of women's sportswear, was attempting to get a free ride or to capitalize on Barry's mark or its good will. Also, while not essential to its position in seeking to protect its trademark rights, Barry contends that MUSHROOMS has become a famous or popular name so that its use on any product at once suggests to the average consumer that Barry is its source or origin.<sup>24</sup> But the record is barren of any evidence to support this claim.

With this preliminary finding, we turn to a consideration of other factors which are to be evaluated in deciding whether Barry is entitled to enjoin plaintiff's use of MUSHROOM.

(1) Strength of mark and degree of similarity.

[7] These may conveniently be considered together. There can be little dispute that the word MUSHROOM is an arbitrary and fanciful mark since its use on products sold by the parties is nondescriptive or suggestive of its wares. It is descriptive neither of shoes, sandals, slippers, the items

<sup>24</sup>*Cf. Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492, 494 (2d Cir.), cert. denied, 368 U.S. 820, 82 S.Ct. 36, 7 L.Ed.2d 25 (1961); *Alfred Dunhill of London, Inc. v. Kasser Distillers Prods. Corp.*, 350 F.Supp. 1341, 1358 (E.D. Pa. 1972), *aff'd without opinion*, 480 F.2d 917 (3d Cir. 1973).

sold by Barry, nor sportswear sold by plaintiff.<sup>25</sup> So, too there can be no question that as spoken and written, MUSHROOM and MUSHROOMS are for all intents and purposes identical. The average speaker or listener is not likely to differentiate MUSHROOMS from MUSHROOM; nor is a purchaser likely to notice a difference in the written marks. However, plaintiff and defendant use different logos above their marks; plaintiff uses a stylized letter "M" whereas defendant uses a design of a mushroom.

[8] In a conceptual sense, MUSHROOMS, when applied to items other than the natural product which its name denotes, is a strong mark. But its true strength must be tested in the market place; the registration of the mark with the Patent Office is not evidence of what happens in the

<sup>25</sup>The finding the MUSHROOM[S] is a fanciful, nondescriptive mark obviates the need to pass upon a contention pressed by Barry at various times during this litigation: that its mark has achieved a "secondary meaning." *Cf. W.E. Bassett Co. v. Revlon, Inc.*, 435 F.2d 656, 661 (2d Cir. 1970).

The doctrine of secondary meaning, strictly applied, refers to the protection afforded geographic or descriptive terms that a producer has used to such an extent to lead the general public to identify the producer or the product with the mark. The Law of Unfair Competition, Trademarks and Monopolies § 77.1, at 337 (3rd ed. 1969); 3 Callmann, *See Safeway Stores, Inc. v. Safeway Properties, Inc.*, 307 F.2d 495, 498-99 (2d Cir. 1962). Thus establishment of secondary meaning permits a user to protect an otherwise unprotectable mark. Barry apparently recognizes that it need not establish secondary meaning in order to protect its mark. However, it urges that its use of the MUSHROOMS mark has created secondary meaning in that the consuming public now identifies the mark with R.G. Barry and the shoes it produces. This claim boils down to the assertion that MUSHROOMS has become a famous mark. *Cf. Exquisite Form Industries, Inc. v. Exquisite Fabrics of London*, 378 F.Supp. 403, 410 (S.D.N.Y. 1974). As noted above, Barry has not carried the burden of proof on this point.



## B.12

market place or that customers are familiar with its use.<sup>26</sup> While Barry, from the time it first marketed its products in 1974, has sold over \$6 million of goods nationwide through over 2500 distributors, has advertised extensively, and actively sought to protect its right to use the mark for its products, it has not established that MUSHROOMS has gained wide recognition in the public mind, nor is it readily identified by the ultimate consumer as the source of any particular product. Barry has offered no evidence that any ultimate consumer has come to recognize all goods bearing the name MUSHROOMS as originating with Barry.<sup>27</sup> In sum, the defendant's mark, while a strong one conceptually because it is fanciful and arbitrary, has not realized its potentiality in the market place—in short, it has not "caught on" and in a commercial sense thus far is not a strong one.

### (2) The proximity of the products.

The products sold by the parties are not similar; they are separate and distinct. The parties are not in competition in the sale of their products. Barry's footwear is designed for comfort and casual wear. Most of its styles are of the open variety, although it does market various styles of boots. The

<sup>26</sup>*Cf. Scarves by Vera, Inc. v. Todo Imports Ltd. (Inc.)*, 544 F.2d 1167, 1173 (2d Cir. 1976) (quoting *Lilly Pulitzer, Inc. v. Lilli Ann Corp.*, 376 F.2d 324, 325, 54 CCPA 1295 (1967)).

<sup>27</sup>Mere sales or advertising figures are inconclusive on the issue. *Cf. Exquisite Form Indus., Inc. v. Exquisite Fabrics of London*, 378 F.Supp. 403, 411 (S.D.N.Y. 1974). This is particularly so in the instant case, since Barry products are widely distributed through more than 2500 outlets. Thus although total national sales volume may be high, actual sales in a specific geographic or local area may be in small quantities or insufficient amounts to attract public notice to the name attached to the product. Moreover, the high ratio of advertising cost to net sales (19.5%) suggests difficulty in establishing the mark, rather than, ipso facto, wide recognition of the mark.

## B.13

products range in price from \$18 to \$40 per pair, and sales are directed to the 20 to 45 year old woman.

Plaintiff's sportswear, consisting of a casual type of women's jeans, jackets, shirts and overalls, sells at retail in the price range of \$14 to \$45 per item and the sales are directed to consumers 20 years of age and older. Barry and Mushroom Makers both market their respective products by selling directly to retail outlets, particularly major department stores; both also sell directly to boutiques and specialty shops.

[9] Though the products sold are separate and distinct and are sold in different departments of the retailers, if they are sufficiently related in the public mind, under appropriate circumstances the senior user of the mark may be entitled to protection against use by others.<sup>28</sup>

Barry contends that the goods are "related" and that plaintiff's use of MUSHROOM on women's sportswear leads the consumer to believe that Barry is the source or origin of those products. Barry finds support in *Avon Shoe Co. v. David Crystal*<sup>29</sup> and other cases<sup>30</sup> for its position that in the women's apparel field trademarks are used to denote a common source for shoes and sportswear. Barry offered evidence that the same trademarks have been applied to footwear and related clothing articles.<sup>1</sup> Plaintiff, on the other hand, asserts that women shopping for shoes and clothing are sophisticated in their choice of products. It asserts that MUSHROOMS is not a popular name, and

<sup>28</sup>See cases cited in note 15 *supra*.

<sup>29</sup>279 F.2d 607 (2d Cir.), cert. denied, 364 U.S. 909, 81 S.Ct. 271, 5 L.Ed.2d 224 (1960).

<sup>30</sup>*General Shoe Corp. v. Hollywood-Maxwell Co.*, 277 F.2d 169, 47 CCPA 933 (1960); *Carlisle Shoe Co. v. Societe Anonyme: Roger Fare & Cie*, 278 F.2d 519, 47 CCPA 966 (1960).

<sup>1</sup>These include Buster Brown, Capezio, Dior, Givenchy and White Stag.

modern merchandising methods in department stores militate against the likelihood of purchasers being misled or deceived that women's sports clothes bearing the mark MUSHROOM originated with Barry.

While *Avon* appears to support a claim that an average purchaser would likely suppose that women's shoes and apparel bearing the same mark emanated from the same source, this Court considers it just as likely that the average purchaser of these products is discriminating,<sup>32</sup> particularly since MUSHROOMS has not achieved the status of a popular or readily recognized name. On the scanty record the Court cannot deem the element of the relatedness of the products a substantial fact in Barry's favor.<sup>33</sup>

### (3) Bridging the gap.

The term "bridging the gap" has been used to describe the senior user's interest in preserving avenues of expansion and entering into related fields. Barry has failed to establish a likelihood of expansion into plaintiff's field. At various stages through the years, Barry sold and then discontinued the sale of such items as terry cloth bathrobes, seat covers, chaise lounge covers, throw pillows, handbags, scarves and belts. Presently, as noted, it only manufactures and sells casual footwear. However, it points to a recently conceived plan, initiated after plaintiff commenced this ac-

<sup>32</sup>Of course, the sophistication of the purchaser cuts both ways. The mere similarity of labels does not by itself necessarily denote to a sophisticated purchaser a common source. Such a purchaser of women's sportswear and shoes or slippers, since the products are different, would not necessarily assume they came from the same source. On the other hand, a sophisticated purchaser may know that several well known designers distribute both footwear and sportswear under their highly regarded and well publicized trade names.

<sup>33</sup>Neither side has presented evidence on the sophistication of the purchasing public or the degree to which consumers identify clothing and footwear merchandisers.

tion, to establish "Mushroom Shoppes" in department stores, which in order to attract customers would offer additional lines of footwear and accessories such as belts, handbags, scarves and hosiery. Assuming this program, which is only in the talking stage, ever gets off the ground, it does not indicate a likelihood that Barry plans or intends to market women's apparel similar to that marketed by plaintiff. The Mushrooms Division and R.G. Barry, as their past histories indicate, have never manufactured women's outdoor wearing apparel, and the plans for "Mushroom Shoppes" do not contemplate an expansion into the women's sportswear field.

### (4) The quality of plaintiff's product.

The quality of the sportswear sold by Mushroom Makers, as the defendant concedes, is not questioned. Indeed, the rapid growth of the product line and its commercial success attest to customer satisfaction with, and interest in, plaintiff's sportswear. Thus, no basis exists for any claim of tarnishment. Although conceding that plaintiff's products were of high quality, Barry contends that it has the right to be protected against plaintiff's future conduct in the event plaintiff's products decline in quality or it assigns the mark to a producer of inferior goods. This purely conjectural contention borders on the fatuous. It is unjustified based on the evidence presented at trial.<sup>34</sup> If anything, as was true in *Avon Shoe*, the rapid growth of plaintiff's business from the time of initial marketing and the wide acceptance of its products "will in all probability continue to enhance the value of [the senior user's] mark."<sup>35</sup>

<sup>34</sup>*Compare Federal Telephone & Radio Corp. v. Federal Television Corp.*, 180 F.2d 250, 251 (2d Cir. 1950).

<sup>35</sup>*Avon Shoe Co. v. David Crystal, Inc.*, 279 F.2d 607, 614 (2d Cir.), cert. denied, 364 U.S. 909, 81 S.Ct. 271, 5 L.Ed.2d 224 (1960).



## (5) The good faith of the junior user

The Court has already noted that this is not a case where the plaintiff has sought to obtain a "free ride" at Barry's expense. Further and detailed fact finding is merited since defendant presses the contention that plaintiff's conduct has been marked by bad faith and constitutes "deliberate infringement" and "commercial piracy."<sup>36</sup> These vigorously expressed accusations are without substance.

A starting point is the origin of the use of MUSHROOM by plaintiff, which as already noted was suggested by Earle Sheldon, who was instrumental in establishing the feasibility of the misses sportswear line. Sheldon testified that he selected MUSHROOM as the mark because it was a favorite item of an aunt by whom he had been raised. Her interest manifested itself to the extent that she not only enjoyed mushrooms as a food, but she also had a mushroom collection, mushrooms on her doorknobs, and wore mushrooms around her neck. Sheldon thought MUSHROOM would make an excellent trademark, which he recommended to Feinberg, president of Stevens, who accepted his suggestion. Sheldon swore that he had never heard of the defendant and that the only use of MUSHROOMS known to him in connection with goods was by a phonograph record company. Since Sheldon's explanation of the basis of his suggestion of the origin of the trademark may be viewed skeptically<sup>37</sup> or even with suspicion,<sup>38</sup> this Court was particularly alert in its appraisal

<sup>36</sup>See *Monsanto Chem. Co. v. Perfect Fit Prods. Mfg. Co.*, 349 F.2d 389 (2d Cir. 1965), *cert. denied*, 383 U.S. 942, 86 S.Ct. 1195, 16 L.Ed.2d 206 (1966).

<sup>37</sup>*Cf. G. B. Kent & Sons, Ltd. v. P. Lorillard Co.*, 114 F.Supp. 621, 626 (S.D.N.Y. 1953), *aff'd on opinion below*, 210 F.2d 953 (2 Cir. 1954).

<sup>38</sup>See *Decca Records v. Musicor Records*, 314 F.Supp. 145, 147-48 (S.D.N.Y. 1970) (quoting *Florence Mfg. Co. v. J.C. Dowd & Co.*, 178 F.73, 75 (2d Cir. 1910)).

of Sheldon's credibility. After such a critical appraisal, the Court is satisfied that Sheldon testified truthfully as to the basis of his recommendation of MUSHROOM for the trade name of the new product line, as he did with respect to other material matters.

There remains to be considered the actions of Feinberg, the Stevens executive who acted upon Sheldon's recommendation. Before acting upon Sheldon's suggestion, Feinberg caused a search to be made as to the availability of the suggested trademark, and as a result he learned of the Barry registration. Since Stevens had such notice, plaintiff, its affiliate, has the burden of justifying the adoption and use of an almost, if not identical, mark.<sup>39</sup>

Feinberg testified that, aware of Barry's registration, he nonetheless decided to proceed to use MUSHROOM on plaintiff's new line of misses sportswear since he saw no conflict between it and defendant's line of casual footwear. Feinberg further swore that he had never heard of Barry or MUSHROOM was adopted by plaintiff not only in his firm belief that the separate and distinct nature of the products Wear Daily on July 14, 1975,<sup>40</sup> nor was he aware of any use of the mark by Barry. Finally, he stated that the trade name MUSHROOM was adopted by plaintiff not only in his firm belief that the separate and distinct nature of the products presented no conflict, but after consultation with his attorney, who at his direction thereafter filed the registration application for MUSHROOM as a trademark for the new line.

<sup>39</sup>*Kiki Undies Corp. v. Promenade Hosiery Mills, Inc.*, 411 F.2d 1097, 1101 (2d Cir. 1969), *cert. denied*, 396 U.S. 1054, 90 S.Ct. 707, 24 L.Ed.2d 698 (1970).

<sup>40</sup>The defendant urges that since plaintiff's attorneys requested a trademark search report on July 15, 1975, one day after the Women's Wear Daily notice appeared, the inference is warranted that Feinberg did see the notice and that his decision to proceed with the MUSHROOM mark for women's apparel was made in bad faith and intended to obtain a free ride. I accept Feinberg's sworn denial.

[10] The fact that one believes he has a right to adopt a mark already in use because in his view no conflict exists since the products are separate and distinct cannot, by itself, stamp his conduct as in bad faith, even after the Patent Office has refused the mark registration. Any such doctrine would preempt a mark exclusively in favor of a senior user for all related products. In *Triumph Hosiery Mills, Inc. v. Triumph International Corp.*, the Court stated:

An "innocent" or a bona fide junior user . . . is one, we think, whose use is not attributable to intent to obtain a free ride on the reputation of the owner of the trademark . . . . From the bare fact that the Patent Office had refused the defendant's application for registration . . . it did not follow that the defendants could not have honestly believed that on a weighing of all the relative and variable pertinent factors a court of competent jurisdiction would not permit them to use the trade-mark. . . Surely, error of an alleged infringer of a trade-mark, or indeed of a patent, in forecasting the decision of the ultimate arbiter, is not a species of bad faith which constitutes independent and substantive proof of infringement.<sup>41</sup>

The Court finds upon the totality of the evidence that when MUSHROOM was recommended by Sheldon and accepted by Feinberg as a trademark for plaintiff's new line of misses sportswear, Feinberg was without knowledge of Barry's mark or its use on its casual footwear line; that thereafter when the trademark search revealed the Barry registration and plaintiff continued to use MUSHROOM for its products, it did so in the good faith belief that the difference in the marketing and sales by plaintiff of misses sportswear under the name MUSHROOM and by the

<sup>41</sup>308 F.2d 196, 199 (2d Cir. 1962). See *Avon Shoe Co. v. David Crystal, Inc.*, 279 F.2d 607, 611 n.6 (2d Cir.), cert. denied, 364 U.S. 909, 81 S.Ct. 271, 5 L.Ed.2d 224 (1960).

defendant of casual footwear under the name MUSHROOMS presented no conflict.

[11] It is significant that when plaintiff decided to proceed with the use of its mark in the summer of 1975, apart from the fact that Barry and its mark were unknown to plaintiff, the level of Barry sales was low and it had been merchandising casual footwear for only a short period under its mark. Thus its net sales in 1974 totalled only \$75,000 and for the first six months of 1975 approximately \$500,000. These factors, when considered with the fact that Barry's mark had but recently been used in commerce and was not well known, repel any finding of intent by plaintiff to trade upon defendant's mark or to obtain a "free ride." The Court concludes that at the time Mushroom Makers decided to initiate a line of misses sportswear and market the line under the name and mark of MUSHROOM, the individuals involved acted in good faith and without intent to appropriate or trade upon Barry's MUSHROOMS trademark or to mislead the purchaser as to the source of its goods.<sup>42</sup>

#### (6) Actual confusion.

During the period the parties have used their marks, their sales volume has expanded and hundreds of thousands of units of their respective commodities have been sold, often in the same department stores and specialty shops. It is therefore significant that the defendant failed to offer evidence that a single purchaser was confused, misled or

<sup>42</sup>Barry asserts that the original application for registration of the MUSHROOM trademark contained several inaccuracies and misstatements and that these reflect on the good or bad faith of the junior user. Even if the Court were satisfied, which it is not, that these were deliberate and fraudulent statements, such errors are not relevant to the ultimate finding of likelihood of confusion or trademark infringement. *Avon Shoe Co. v. David Crystal, Inc.*, 279 F.2d 607, 613 n.8 (2d Cir.), cert. denied, 364 U.S. 909, 81 S.Ct. 271, 5 L.Ed.2d 224 (1960).



deceived as to the source or origin of the product he or she was buying.<sup>43</sup> Indeed Barry's principal executive, whose functions included visiting stores throughout the country and attending shoe conventions, testified he knew of no such incident. Further, not a single salesperson or retailer was called to testify as to confusion on his or her part or that he or she knew of a single instance of consumer confusion. This omission is underscored by the fact that defendant is a substantial corporation with the means to have undertaken either a survey or an investigation to establish instances of actual consumer confusion.<sup>44</sup>

The absence of proof of consumer confusion is highlighted by Barry's own action when its right to use MUSHROOMS was challenged by Famolare, a firm which was a prior user of the trademark MUSHROOM HUNTER—a mark which it applied to shoes, a product directly related to those sold by Barry. When challenged, Barry entered into an agreement whereby Famolare was permitted to market MUSHROOM HUNTER shoes. Thus, Barry's contention of likelihood of confusion is undermined by its own action.<sup>45</sup> On this aspect of the case it is no answer to say that Barry was buying its peace in the face of threatened

<sup>43</sup>*Compure Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 236, 84 S.Ct. 779, 11 L.Ed.2d 669 (1964); *G.B. Kent & Sons, Ltd. v. P. Lorillard Co.*, 114 F.Supp. 621, 627 (S.D.N.Y. 1953), *aff'd on opinion below*, 210 F.2d 953 (2d Cir. 1954.)

<sup>44</sup>Such surveys are not uncommon in these types of cases. See, e.g., *Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons*, 523 F.2d 1331, 1340-41 (2d Cir. 1975); *Stix Prods., Inc. v. United Merchants & Mfrs., Inc.*, 295 F.Supp. 479, 492 (S.D.N.Y. 1968).

<sup>45</sup>*Cf. California Fruit Growers Exchange v. Sunkist Baking Co.*, 166 F.2d 971, 975 (7 Cir. 1947).

litigation. So, too, it is a feeble answer for defendant to assert, as it does, that it only consented to the use of MUSHROOM HUNTER and not MUSHROOMS. The fact is that the goods sold by each were in the same product line, which would more readily suggest likelihood of confusion than where the products are separate and distinct.

[12] However, the fact that no case of actual consumer confusion has been established, while probative,<sup>46</sup> is by no means determinative since such proof may be difficult to obtain.<sup>47</sup> Barry therefore places great weight on evidence it introduced of over a dozen instances of misdirected invoices, checks, return slips or return goods from retail stores that Barry had received which were intended for plaintiff, and one instance where plaintiff received a return of defendant's goods. These instances indicate some kind of confusion on the part of employees of the retailers, but the testimony of the persons involved was not obtained and no explanation was offered for the errors. In some instances it is obvious they were the result of carelessness or inefficiency on the part of employees of the retailers. While these few instances of confusion on the part of retail employees, out of hundreds of thousands of transactions throughout the country may have some probative value, they are far from compelling.<sup>48</sup>

<sup>46</sup>See *Affiliated Hosp. Prods., Inc. v. Merdel Game Mfg. Co.*, 513 F.2d 1183, 1188 (2d Cir. 1975); *Kiki Undies Corp. v. Alexander's Dept. Stores, Inc.*, 390 F.2d 604, 606 (2d Cir. 1968).

<sup>47</sup>See *Miles Shoes, Inc. v. R.H. Macy & Co., Inc.*, 199 F.2d 602, 603 (2d Cir. 1952), *cert. denied*, 345 U.S. 909, 73 S.Ct. 650, 97 L.Ed. 1345 (1953).

<sup>48</sup>See *Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons*, 523 F.2d 1331, 1340 (2d Cir. 1975); *Harold F. Ritchie, Inc. v. Chesebrough-Pond's, Inc.*, 281 F.2d 755, 761 (2d Cir. 1960); *Maternally Yours, Inc. v. Your Maternity Shop, Inc.*, 234 F.2d 538, 543 (2d Cir. 1956).

In addition, defendant relied upon two other examples to support its claim of likelihood of confusion. One was an advertisement in a Rochester newspaper by a department store which pictured both MUSHROOM apparel and MUSHROOMS shoes. The other was a photograph of the Hecht Company store in Tyson Corner, Virginia, which showed MUSHROOMS shoes and MUSHROOM sportswear apparel displayed side by side near the entrance of the store. Defendant offered no evidence as to the circumstances surrounding these incidents. Counsel for defendant visited the Tyson Corner store and was present when the photograph was taken, but failed to inquire of store personnel how it came about that the two products were so displayed.

With respect to the Rochester advertisement, no evidence was offered whether the department store owner knew it was advertising the products of two separate companies or whether it believed that the items originated from the same source. Indeed, since the defendant paid for part of the advertisement (although it did not give prior authorization), it would be unlikely that the store was misled or confused as to source of origin. Nonetheless, these two instances are probative on the issue of likelihood of confusion of the ultimate consumer to whom the display and advertisement were intended to appeal. But the fact remains that as previously noted, and despite intensive pretrial discovery the terminal date of which was extended on defendant's application to obtain such evidence, no instance of actual consumer confusion has been offered or established.<sup>49</sup>

<sup>49</sup>On the other hand, the plaintiff submitted the findings of an investigation conducted by two private investigators. It consisted largely of hearsay evidence based on responses from sales personnel in shoe and clothing departments of department stores where both products were sold. While such evidence is of slight probative value, it does indicate that none of the salespersons selling one of the products was aware that the other product was also being sold in the department store.

The various factors that have been identified by the Court of Appeals as relevant on the issue of likelihood of confusion thus point in both directions. The substantial identity of the marks, the fact that the products are sold in the same stores, that both products are women's wear, the evidence that personnel of retailers mistake one company for the other, or associate the two marks, and the refusal of the Patent Office to register plaintiff's mark all support a finding of likelihood of confusion. On the other hand, the absence of a single instance of actual consumer confusion, the fact that defendant's mark is not well known, the lack of proof of wide recognition of defendant's product in the consumer market,<sup>50</sup> the lower level of defendant's sales as compared to plaintiff's, the good faith of plaintiff in adopting its mark and the unlikelihood that defendant will enter the women's sportswear field militate against defendant's claim of confusion.

### CONCLUSION

Upon all the evidence, the likelihood of confusion is far from compelling. In the final analysis, in the absence of any instance of confusion and taking into account the difficulty of obtaining such proof, whether likelihood of confusion exists is a matter of judgment. And the ultimate question is not whether now and then such incidents are likely to or do occur. It is not enough "that a few particularly undiscerning persons might be misled."<sup>51</sup> Rather, it is, as so often stated, whether an appreciable number of ordinarily

<sup>50</sup>In *Scarves by Vera, Inc. v. Todo Imports Ltd. (Inc.)*, 544 F.2d 1167, 1170 (2d Cir. 1976), the senior user introduced extensive evidence of wide recognition in the particular consumer market.

<sup>51</sup>Restatement (Second) of Torts § 729, Comment a at 118 (Tent. Draft No. 8, 1963).



prudent purchasers,<sup>52</sup> or as most recently put, "many customers" are likely to be misled or deceived as to the origin of the goods.<sup>53</sup> Upon the present state of the record, likelihood of confusion is minimal; but it is unrealistic not to recognize that since the marks are substantially identical, likelihood of confusion does exist as a latent and volatile factor, which with the passage of time and probable increase in sales by the senior and junior users, may become a reality.

However, as noted at the outset, the Court must evaluate the interests and equities involved, including the protection of the consumer public. In the *Avon* case, upon which defendant relies, the Court found a likelihood of confusion and still denied injunctive relief. The Court stated that it was the duty of the trial judge to "balanc[e] the conflicting interests both parties have in the unimpaired continuation of their trade mark use."<sup>54</sup> As most recently stated in this Circuit: "*absent equities in the junior user's favor, he should be enjoined from using a similar trademark whenever the non-competing products are sufficiently related that consumers are likely to confuse the source of origin.*"<sup>55</sup>

<sup>52</sup>*Maternally Yours, Inc. v. Your Maternity Shop, Inc.*, 234 F.2d 538, 542 (2d Cir. 1956); *G. B. Kent & Sons, Ltd. v. P. Lorillard Co.*, 114 F.Supp. 621, 625-26 (S.D.N.Y. 1953), *aff'd on opinion below*, 210 F.2d 953 (2d Cir. 1954); Restatement (Second) of Torts § 729, Comment a at 118 (Tent. Draft No. 8, 1963).

<sup>53</sup>*Scarves by Vera, Inc. v. Todo Imports, Ltd. (Inc.)*, 544 F.2d 1167, 1175 (2d Cir. 1976).

<sup>54</sup>*Avon Shoe Co. v. David Crystal, Inc.*, 279 F.2d 607, 613 (2d Cir.), *cert. denied*, 364 U.S. 909, 81 S.Ct. 271, 5 L.Ed.2d 224 (1960).

<sup>55</sup>*Scarves by Vera, Inc. v. Todo Imports Ltd. (Inc.)*, 544 F.2d 1167, 1173 (2d Cir. 1976) (emphasis supplied). *See Chandon Champagne Corp. v. San Marino Wine Corp.*, 335 F.2d 531, 536 (2d Cir. 1964).

Evaluation of the relevant interests and equities, based on the facts found above, indicates that the scales tip in favor of the plaintiff. Defendant has not demonstrated that it has been or will be harmed by plaintiff's use of its mark on women's sportswear. It has not shown that plaintiff's goods are inferior or that it plans to move into the women's sportswear field. Nor does the record support any claim that the plaintiff attempted to obtain a free ride on Barry's reputation or to appropriate its good will. To the contrary, the plaintiff has forged ahead on its own, achieving substantial success through the quality of its product and management. Plaintiff acted in good faith in adopting its mark; there is no evidence of any intent to palm off or deceive the public as to the origin of its goods. There is no evidence that up to now a single consumer has been confused, deceived or misled as to the source or origin of footwear or sportswear he or she purchased. In sum, as the Court concluded in *Avon Shoe*:

Weighed against [the junior users's] interests in preserving the substantial good will they have created by means of their extensive concurrent use of [their] mark in good faith, the [senior user's] interests and any resulting confusion are factors too slight to outweigh the [junior user's] interest.<sup>56</sup>

To uphold Barry's claim that its trademark extends to products beyond those it now sells would, upon the facts here presented, be inequitable. The validity of its trademark does not, by itself, confer upon Barry the right to preempt all other uses of the mark on wearing apparel or accessories. As Judge Learned Hand, in his usual penetrating way, cautioned:

<sup>56</sup>*Avon Shoe Co. v. David Crystal, Inc.*, 279 F.2d 607, 614 (2d Cir.), *cert. denied*, 364 U.S. 909, 81 S.Ct. 271, 5 L.Ed.2d 224 (1960).

Although there appears to be a persistent belief that the first use of a specific name or description gives a power to the first user to prevent its use by others, it is important to remember that no such doctrine exists. In all such cases there is only one question: what damage to the first user will the second do by the use of the first user's mark, or name or makeup, and what burden will it impose upon the second user effectively to distinguish the goods?<sup>57</sup>

The answer upon this record is that there is no evidence the senior user has been damaged; moreover, to bar plaintiff from the use of its mark, which was adopted in good faith, would impose an undue burden on it.

#### BARRY'S OTHER CLAIMS

Throughout the litigation, both parties have agreed that the standard governing the trademark infringement claim also governs the unfair competition and false designation claims.<sup>58</sup> Thus there is no occasion for extended discussion of those claims. Suffice it to say that there has been no showing that Mushroom Makers has violated any "principles of old fashioned honesty."<sup>59</sup> Nor does the record support a finding that plaintiff has falsely represented its goods, undermined Barry's reputation, or misappropriated Barry's business.<sup>60</sup>

<sup>57</sup>*Federal Telephone & Radio Corp. v. Federal Television Corp.*, 180 F.2d 250, 251 (2d Cir. 1950).

<sup>58</sup>See *Exquisite Form Indus., Inc. v. Exquisite Fabrics of London*, 378 F.Supp. 403, 414 (S.D.N.Y. 1974); *Apollo Distrib. Co. v. Apollo Imports Inc.*, 341 F.Supp. 455, 458 (S.D.N.Y. 1972).

<sup>59</sup>*Radio Shack Corp. v. Radio Shack, Inc.*, 180 F.2d 200, 206 (7th Cir. 1950); see *Pocket Books, Inc. v. Dell Publishing Co.*, 49 Misc.2d 252, 267 N.Y.S.2d 269, 273 (Sup.Ct. 1966) ("the touchstone for the exercise of the Court's equity power remains . . . unfairness").

<sup>60</sup>*American Heritage Life Ins. Co. v. Heritage Life Ins. Co.*, 494 F.2d 3, 14 (5th Cir. 1974); *Geisel v. Poynter Prods., Inc.*, 283 F.Supp. 261, 267 (S.D.N.Y. 1968).

#### RELIEF

[13] Based on the findings of fact and conclusions of law, the Court declares that plaintiff's use of the trademark MUSHROOM as applied to women's sportswear does not infringe on defendant's trademark as applied to shoes, slippers and sandals, nor does it constitute unfair competition or false designation of origin of goods. However, this judgment speaks only as of the date of its entry. The Court has already noted the latent potentiality that likelihood of confusion may with the passage of time become a reality. Given the rapid growth of the companies involved and the continued use by them of their marks on the respective products they sell, the defendant may arguably contend that a change of circumstances would justify relief to it as the senior user and bring another action charging plaintiff with infringement or unfair competition.<sup>61</sup> Because of these factors, the judgment to be entered shall contain a provision directing that when plaintiff uses its mark on its products it shall include a statement prominently displayed in words or substance that it does not manufacture or sell shoes, slippers or sandals or that it is not associated with the makers of MUSHROOMS footwear. The form of notice shall be agreed upon by the parties. In the absence of such

<sup>61</sup>*Cf. King Research, Inc. v. Shulton, Inc.*, 454 F.2d 66, 69 (2d Cir. 1972); see also *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492, 498 (2d Cir.), cert. denied, 368 U.S. 820, 82 S.Ct. 36, 7 L.Ed.2d 25 (1961).



agreement, each may submit suggested forms for the Court's determination.<sup>62</sup>

The foregoing shall constitute the Court's Findings of Fact and Conclusions of Law. Accordingly, judgment may be entered in favor of plaintiff and dismissing the defendant's counterclaims.

<sup>62</sup>See *Dwinell-Wright Co. v. White House Milk Co.*, 44 F.Supp. 423, 428 (W.D.N.Y.1942), *aff'd on other grounds*, 132 F.2d 822 (2d Cir. 1943); *cf. DuPont Cellophane Co., Inc. v. Waxed Prods. Co.*, 85 F.2d 75, 82 (2d Cir. 1936), *cert. denied*, 299 U.S. 601, 57 S.Ct. 194, 81 L.Ed. 443 (1936), *cert. denied*, 304 U.S. 575, 58 S.Ct. 1047, 82 L.Ed. 1539 (1938); *Allegretti Chocolate Cream Co. v. Keller*, 85 F. 643 (C.C. S.D.N.Y.1898).

## APPENDIX C

### UNITED STATES COURT OF APPEALS SECOND CIRCUIT

At a Stated Term of the United States Court of Appeals, in and for the Second Circuit, held at the United States Court House, in the City of New York, on the twenty-fifth day of August, one thousand nine hundred and seventy-eight.

Present: HON. IRVING R. KAUFMAN  
Chief Judge  
HON. WILFRED FEINBERG  
Circuit Judge  
HON. HENRY F. WERKER  
District Judge  
*Circuit Judges.*

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MUSHROOM MAKERS, INC.,  
*Plaintiff-Appellee*

v.

R. G. BARRY CORPORATION,  
*Defendant-Appellant*

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77-7619

A petition for a rehearing having been filed herein by counsel for the appellant, R.G. Barry Corporation.

Upon consideration thereof, it is

Ordered that said petition be and it hereby is DENIED.

By: /s/ A. Daniel Fusaro  
A. DANIEL FUSARO,  
Clerk

**APPENDIX D**

**UNITED STATES COURT OF APPEALS  
SECOND CIRCUIT**

At a stated term of the United States Court of Appeals, in and for the Second Circuit, held at the United States Court House, in the City of New York, on the twenty-fifth day of August, one thousand nine hundred and seventy eight.

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**MUSHROOM MAKERS, INC.,**  
Plaintiff-Appellee,

v.

**77-7619**

**R. G. BARRY CORPORATION,**  
*Defendant-Appellant*

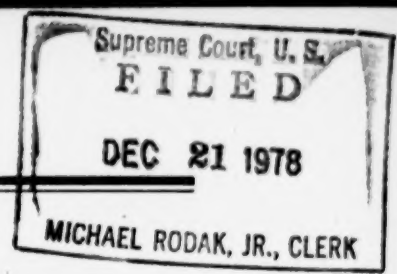
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A petition for rehearing containing a suggestion that the action be reheard in banc having been filed herein by counsel for the Appellant, R.G. Barry Corporation, and no active judge or judge who was a member of the panel having requested that a vote be taken on said suggestion,

Upon consideration thereof, it is

Ordered that said petition be and it hereby is DENIED.

/s/ Irving R. Kaufman  
Chief Judge,  
IRVING R. KAUFMAN



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IN THE  
**Supreme Court of the United States**  
OCTOBER TERM, 1978

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No. 78-848

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R. G. BARRY CORPORATION,  
*Petitioner,*  
v.  
MUSHROOM MAKERS, INC.,  
*Respondent.*

---

**BRIEF FOR RESPONDENT IN OPPOSITION**

---

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IN THE  
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OCTOBER TERM, 1978

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No. 78-848

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R. G. BARRY CORPORATION,  
*Petitioner,*  
v.  
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*Respondent.*

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**BRIEF FOR RESPONDENT IN OPPOSITION**

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**Opinions Below**

The District Court's opinion is reported at 441 F.Supp. 1220 and the opinion of the Court of Appeals at 580 F. 2d 44.

**Jurisdiction**

The jurisdiction of this Court is invoked by petitioner under 28 U.S.C. § 1254(1).

**Statement of the Case**

Respondent (plaintiff below) brought an action for declaratory judgment to determine whether respondent had the right to use the trademark MUSHROOM for its misses'

sportswear. Petitioner, which had adopted MUSHROOMS for footwear, counterclaimed for an injunction and monetary relief because of alleged violations of the Lanham Act,<sup>1</sup> i.e., trademark infringement and false designation of origin, and unfair competition.

The District Court held that petitioner was entitled to continue using MUSHROOM for its misses' sportswear and dismissed respondent's counterclaim. Three months after trial and after it had completed its opinion, the District Court received and denied petitioner's motion to amend its pleading to assert a claim of dilution under the New York State antidilution statute (General Business Law § 268-d).

The United States Court of Appeals for the Second Circuit affirmed the decision of the District Court. Although it modified the finding of the District Court with respect to likelihood of confusion, it nevertheless confirmed the denial of injunctive relief based upon equitable considerations.<sup>2</sup>

## ARGUMENT

### I

**The decision of the Court of Appeals does not dictate expanded use of pretrial discovery.**

Petitioner contends that it based its trial preparation on the "controlling" decision of the United States Court of Appeals for the Second Circuit in *Avon Show Co., Inc. v. David Crystal, Inc.*, 279 F. 2d 607 (2d Cir. 1960), cert. denied, 364 U.S. 909 (1960). Petitioner actually engaged in extensive pretrial discovery, and the District Court reopened the discovery period twice to permit petitioner to compile what it claimed to be evidence of actual confusion.

<sup>1</sup> 15 U.S.C. § 1051 *et seq.*

<sup>2</sup> As will be discussed more fully below, respondent disagrees with the interpretations given to the opinions below by petitioner.

Nevertheless the District Court found a failure of proof on the issue of whether the use of MUSHROOM for misses' sportswear was likely to cause confusion with the use of MUSHROOMS for footwear.

However, the Court of Appeals in the instant action overturned the District Court's finding of no likelihood of confusion in view of its decision in *Avon*. Accordingly, petitioner's claim of prejudice is totally unfounded.

Since petitioner has relied largely on *Avon*, it knew that the senior user in that case was denied injunctive relief because it failed to show that either it was likely to expand into the junior user's related field or the junior user's continued use of its mark would tarnish the senior user's reputation. Yet petitioner failed to show that either event was likely to occur and it was on this basis (notwithstanding the existence of a likelihood of confusion as in *Avon*) that the Court of Appeals affirmed the denial of injunctive relief.

Petitioner refuses to recognize the equitable nature of a trademark infringement/unfair competition action. It ignores the equitable considerations of the court in *Avon*, which the Court of Appeals here followed by balancing the conflicting interests of the parties in the continued use of their respective marks.

### II

**Respondent's use of "MUSHROOM" was in good faith.**

Petitioner again misinterprets the Court of Appeals' decision by stating that respondent's use of MUSHROOM was a basis for denying injunctive relief.<sup>3</sup> Respondent's

<sup>3</sup> Petitioner sought to overcome respondent's good faith adoption with the constructive notice provision of the Lanham Act

(footnote continued on following page)



good faith in adopting MUSHROOM was merely one factor considered by the Court.

The District Court's finding of good faith adoption involved credibility factors which the Court of Appeals chose quite properly not to disturb. The Court in *Avon* made the same determination with respect to respondent's good faith. Petitioner's conclusory accusations that respondent wilfully and deliberately infringed petitioner's trademark simply ignore the finding of the District Court, which was affirmed by the Court of Appeals, that respondent's use was in good faith.

### III

#### **The Court of Appeals was not bound to follow dictum of the New York State Court of Appeals.**

Petitioner argues that the Court of Appeals ignored a holding by the New York State Court of Appeals in *Allied Maintenance Corp. v. Allied Mechanical Trades, Inc.*, 42 N.Y. 2d 538, 544-545, 399 N.Y.S. 2d 628, 632, 369 N.E. 2d 1162, 1165-1166 (1977), with respect to the New York anti-dilution statute (General Business Law § 368-d). This was not a holding, but dictum.

Petitioner moreover failed to consider the other bases set forth by the Court of Appeals for sustaining the District Court on this point. The Court was influenced by the fact that other federal and state courts in New York had already recognized that injury to a trade name, rather than damage from confusion among consumers, was the

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[15 U.S.C. § 1072]. But, the purpose of that provision in the statute was to do away with the defense of lack of knowledge. Here, respondent did not deny that it knew of petitioner's registration, although it had never seen or heard of any use of it, but only that petitioner did not have the legal right to enforce its registration against use of the mark on different and noncompeting goods.

basis of the dilution theory, so that the *Allied Maintenance* decision did not change New York law as claimed by petitioner. The Court of Appeals further found that the District Court had acted within its discretion in denying a motion to amend made three months after the close of trial and after the District Court had already "finalized" its opinion.

### **Conclusion**

Each of the three points raised by petitioner in its petition is without merit. None of them raises any issue of public interest. This case is the usual trademark and unfair competition case where the courts, after considering all the equities involved, denied injunctive relief. Petitioner is dissatisfied with the decisions below, but it has not shown any basis for reversal. The petition for writ of certiorari should be denied.

Respectfully submitted,

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